

**THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**DOCKET NO. 2021-153-S**

IN RE: Application of Palmetto Wastewater	)	<b>REBUTTAL TESTIMONY</b>
Reclamation, Inc. for an Adjustment of	)	
Rates and	)	<b>OF</b>
	)	
	)	<b>MUJEEB HAFEEZ</b>

1    **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A.    My name is Mujeeb Hafeez. My business address is 12535 Reed Road, Sugar Land,  
3           TX 77478.

4    **Q.    ARE YOU THE SAME MUJEEB HAFEEZ WHO PREVIOUSLY PROVIDED**  
5           **DIRECT TESTIMONY IN THIS PROCEEDING?**

6    A.    Yes, I am.

7    **Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8    A.    The purpose of my rebuttal testimony is to address certain aspects of testimony filed  
9           by Lafayette Morgan on behalf of the Department of Consumer Affairs (“DCA”)  
10          relating to Palmetto Wastewater Reclamation, Inc.’s (“PWR” or “Company”)  
11          requested recovery of the allocated costs of shared services provided by SouthWest  
12          Water Company (“SouthWest”). If I do not respond to each and every issue in ORS  
13          and DCA testimony, that should not be understood to imply agreement with them.

1   **Q.   WHAT IS PWR'S REQUESTED RECOVERY OF ALLOCATED**  
2   **SOUTHWEST COSTS?**

3   A.   PWR has requested recovery for the allocated costs of \$208,774 for SouthWest's  
4   shared services and \$36,206 for depreciation of shared assets. These costs were  
5   allocated to PWR using an allocation factor of 1.6%, which was determined using a  
6   three-factor methodology discussed in detail in my direct testimony.

7   **Q.   WHAT ADJUSTMENT TO PWR'S ALLOCATION OF SOUTHWEST'S**  
8   **SHARED COSTS DOES WITNESS MORGAN RECOMMEND?**

9   A.   Witness Morgan recommends removal of all of the \$208,774 in allocated costs and  
10   \$36,206 of depreciation of shared assets. Witness Morgan asserts that because PWR's  
11   ownership changed during the Test Year, the level of shared corporate costs is derived  
12   from two separate parent company groups (Morgan prefiled direct, page 9, lines 17-  
13   18). Additionally, witness Morgan testifies that because the costs are an allocation of  
14   SouthWest's shared costs for the entire calendar year 2020, PWR did not receive any  
15   of the benefits of these costs and the costs are not ongoing (Morgan prefiled direct,  
16   page 11, lines 10-16).

17   **Q.   WHAT IS YOUR RESPONSE TO WITNESS MORGAN'S**  
18   **RECOMMENDATION TO REMOVE ALL OF SOUTHWEST'S ALLOCATED**  
19   **COSTS?**

20   A.   PWR's adjusted Test Year costs do not include the shared corporate costs derived from  
21   two separate parent company groups. In its application, PWR presents two types of  
22   allocated costs - 1) SouthWest shared costs and 2) regional and local shared costs.

## SouthWest Shared Costs

The benefit and cost of SouthWest's shared services are discussed in detail in my direct testimony. These costs and services are clearly distinct from the regional and local shared costs described further below.

On September 14, 2020, SouthWest acquired PWR through a wholly-owned subsidiary. After the acquisition, PWR was quickly integrated into SouthWest's centralized business processes. Although PWR did not receive the benefits of SouthWest's shared services during the entirety of the Test Year, the annualized allocated cost of SouthWest's shared services reflects the level of ongoing expense for PWR. The following are limited examples of the ongoing benefits that PWR has already realized since the integration:

### Customer Service

- Conversion of PWR customers to the SouthWest billing system (in SAP) which provided enhanced customer benefits
  - Can submit customer service request via Web Form
  - Notification letters when auto-pay credit card expiring
- User-friendly payment portal which provide new features
  - Paperless Billing
  - Online bill history
  - Ability to set up, cancel, and transfer service through the portal
  - Ability to select notification preferences (email, text, phone)
- Upgraded Phone System that provides new features

- Pay via telephone though interactive voice response (IVR)
- Courtesy call back if long hold times
- Customers can pay via credit card via call center agent

#### **Technical Infrastructure and Data Storage**

- Enhanced system backups in the cloud and redundancy for customer and operational data to support business continuity objectives
- Connection to the SouthWest Wide Area Network and computer applications, which allows for future technology enhancements

#### **Cyber Security**

- Upgraded hardware and network boundaries with modern technology to address cyber security threats
- Access to SouthWest's corporate investments in cyber security infrastructure for perimeter protection, detection, and risk mitigation
- Access to trained senior cyber security staff, including graduate of FBI's Chief Information Security Officer academy

#### **Human Resources**

- Employees have been included in the SouthWest benefits plans, and those benefits provide significant improvements compared to the benefits plans of prior ownership. Improved employee benefits play a significant role in providing PWR the ability to maintain continuity of its utility operations by reducing employee turnover.

1                   **Legal**

- 2                   • PWR benefits from being able to access SouthWest's legal department  
3                   on an efficient part-time basis

4                   Witness Morgan testifies that one of the fundamental principles of utility  
5                   ratemaking is that expenses should reflect the normal annual level of ongoing expenses  
6                   (Morgan prefiled direct, page 11, lines 16-18). As the shared services provided by  
7                   SouthWest are clearly normal and ongoing, the Commission should reject witness  
8                   Morgan's recommendation to remove the allocated costs on the basis that they are not  
9                   ongoing.

10                  **Regional and Local Shared Costs**

11                  The regional and local shared costs are comprised primarily of the costs of Ni  
12                  America Operating, LLC ("Ni America Operating"), which was also acquired by  
13                  SouthWest at the time of PWR's acquisition. Ni America Operating is a service  
14                  company that contains the employees that serve PWR and South Carolina Water  
15                  Utilities – PUI Inc. in South Carolina and Ni Florida, Inc. in Florida. The shared  
16                  services performed by Ni America Operating include local accounting, customer  
17                  service, billing, utility operations, capital project management, and engineering. These  
18                  shared services are distinctly and clearly different from the shared services provided by  
19                  SouthWest.

20                  Witness Morgan incorrectly testifies that the costs incurred and allocated by Ni  
21                  America Operating are that of Ni Pacolet Milliken Utilities (Morgan prefiled direct,

1 page 9, lines 22-23). No costs of Ni Pacolet Milliken Utilities were included in the  
2 application.

3 As support that PWR allegedly included costs in its application from previous  
4 ownership that will not be ongoing, witness Morgan presents certain of PWR' Test  
5 Year costs provided in discovery (Morgan prefiled direct, page 11, lines 4-5).  
6 However, witness Morgan cites several Test Year recorded amounts and ignores the  
7 significant pro forma adjustments PWR made specifically to remove prior ownership,  
8 non-recurring, and several other costs identified through PWR's prudent consideration.  
9 Given that witness Morgan has failed to consider these adjustments entirely, the  
10 Commission should disregard any related adjustments as his erroneous conclusions are  
11 based on a misunderstanding of the application.

12 **Q. WHAT IS YOUR RESPONSE TO WITNESS MORGAN'S**  
13 **RECOMMENDATION TO REMOVE ALL OF SOUTHWEST'S ALLOCATED**  
14 **DEPRECIATION?**

15 A. Consistent with the adjustment to remove all of the costs of SouthWest's shared  
16 services, witness Morgan recommends an adjustment to also remove the depreciation  
17 charges associated with SouthWest's shared assets. Witness Morgan again asserts that  
18 PWR did not receive any benefits from the depreciated assets. However, as noted  
19 above, PWR has already received, and will continue to receive, the benefits of  
20 SouthWest's shared assets and services. Logically, PWR should receive the accounting  
21 benefit of the associated depreciation. The examples of information technology ("IT")

1           and customer service benefits since the acquisition listed above are a direct result of  
2           PWR's access to SouthWest's capital expenditures for its IT infrastructure.

3   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

4   **A.    Yes, it does.**